

**NEW OFFER IN COMPROMISE APPLICATIONS BEING ACCEPTED
FOR TAXPAYERS FACING ECONOMIC HARDSHIPS**

WASHINGTON – The Internal Revenue Service started accepting applications Monday for a new type of Offer in Compromise plan designed to help some taxpayers facing severe or unusual economic hardships.

For the first time, the IRS will be able to consider economic hardship factors in cases where taxpayers try to settle unpaid tax debts through the Offer in Compromise program and where settlement would promote effective tax administration.

“This program creates a new way for the IRS to help some people trapped in severe hardships,” IRS Commissioner Charles O. Rossotti said. “We have more power to work with struggling taxpayers trying to settle their tax debt.”

The change expands the Offer in Compromise program, which allows the IRS to negotiate a settlement with people unable to pay their entire tax bill. Previously, the IRS could accept the taxpayer’s Offer in Compromise only when there was doubt about whether the tax debt could ever be collected or whether it was owed.

The IRS Restructuring and Reform Act approved last year by Congress and President Clinton called for expanding the Offer in Compromise program as part of a new set of taxpayer rights provisions.

The new category of Offer in Compromise can be used in cases where acceptance of the offer would promote effective tax administration and would not undermine compliance with the tax laws. Taxpayers may be eligible for this new provision if:

Collection of the entire tax liability would create economic hardship, or
Exceptional circumstances exist where collection of the entire tax liability
would be detrimental to voluntary compliance.

To qualify, taxpayers must have a history of paying and filing their taxes.

(more)

To apply for this new way of settling tax debts, taxpayers can obtain a copy of Form 656-A through the IRS web site at www.irs.gov. The new form can be found by going to the "Forms and Pubs" section and looking under "Forms and Instructions."

Applicants will also need to submit a copy of Form 656, the standard Offer in Compromise application. Taxpayers applying for the new economic provision will be considered first under one of the traditional Offer in Compromise options. If the taxpayer is not eligible for a traditional Offer in Compromise, then the IRS will consider the application under the new economic hardship guidelines.

"With this new program, we'll be able to help some people we couldn't help before," Rossotti said.

The IRS cautioned the new program is designed only for taxpayers entangled in very severe circumstances. It's not designed to be a sweeping program for everyone with financial problems, and it shouldn't be viewed as an invitation to avoid paying taxes.

What the new provision reflects is a commitment by the IRS to expand access to the Offer in Compromise program. To help taxpayers, the IRS moved earlier this year to create more straightforward rules, allow greater flexibility by key agency employees and add new payment procedures for the Offer in Compromise program.

"In the end, this helps all taxpayers," Rossotti said. "Instead of collecting nothing from people with an unpaid tax bill, we're able to collect something."

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